

Message Text

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ACTION SS-15

INFO OCT-01 NEA-10 ISO-00 L-03 H-02 MC-02 PM-04 DODE-00

EB-07 NRC-05 NSAE-00 TRSE-00 ERDA-05 CIAE-00 COME-00

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 7308

C O N F I D E N T I A L BEIRUT 14284

E.O. 11652: GDS

TAGS: MASS

SUBJECT: MUNITIONS CONTROL AND AGENTS FEES

REF: STATE MSG 255260/DTG 282041Z OCT 75

1. WHILE WE RECOGNIZE THAT ABUSES FREQUENTLY EXIST WITH REGARD TO LOCAL PROCUREMENT PRACTICES, WE ALSO RECOGNIZE THAT IT WOULD BE DIFFICULT TO INSIST ON MUCH IMPROVEMENT WITHOUT INCURRING THE RISK OF LOSING SALES TO OTHER NON US SUPPLIERS.

2. MOST OF GOL'S PRESENT PROCUREMENT OF US MILITARY ARMS AND EQUIPMENT IS DONE ON A GOVERNMENT TO GOVERNMENT BASIS THROUGH FMS, AND SUPPLY ACTION IS NORMALLY FROM US MILITARY STOCKS OR AS PART OF A DOD PROCUREMENT. GOL RARELY REQUESTS SOLE SOURCE PROCUREMENT. IN CASES WHERE GOL DOES DECIDE TO GO COMMERCIAL, AGENTS FEES ARE TRADITIONALLY PAID AND ARE HELD CONFIDENTIAL, ALONG WITH PRICES. HOWEVER, THE LEBANESE ARMED FORCES (LAF) RARELY CONTRACT FOR ARMS AND EQUIPMENT WITHOUT SHOPPING AROUND CONSIDERABLY (E.G., WE HAVE RUMOR THAT LAF IS NOW CONSIDERING GOING THROUGH THE LOCAL LEBANESE FMC AGENT FOR A NEW PURCHASE OF M-113 ARMORED PERSONNEL CARRIERS BECAUSE HIS CURRENT FEE IS LESS THAN DOD'S FIVE PERCENT ADMINISTRATIVE CHARGE FOR FMS CASES).

3. TO OUR KNOWLEDGE, GOL HAS NEVER BEEN PARTICULARLY INTERESTED IN QUESTIONING AGENTS FEES, OR WHO RECEIVES THEM, AND IT IS PER-
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HAPS UNREALISTIC FOR US TO BELIEVE THAT WE CAN CHANGE THIS ATTI-

TUDE THROUGH US ADMINISTRATIVE OR LEGISLATIVE ACTION. LEBANESE BUSINESS PRACTICES ARE WELL KNOWN THROUGHOUT THE MIDDLE EAST, AS IS TESTIFIED BY SAG'S RECENT DECISION TO ACT AS THE PURCHASING AGENT FOR MILITARY ASSISTANCE TO LEBANON RATHER THAN GIVE THE MONEY DIRECTLY TO GOL (TO THE DETRIMENT OF LOCAL AGENTS VS SAUDI AGENTS).

4. WHILE WE REALIZE THAT CHANGES WILL PROBABLY HAVE TO BE MADE TO THE PRESENT SYSTEM, WE HAVE MISGIVINGS ABOUT THE PROPOSED CHANGE TO THE ITAR (PAR 4 OF REFTEL), AS THERE IS NO QUESTION THAT THE PROPOSAL, AS IT NOW STANDS, WILL PLACE US INDUSTRY AT A COMPETITIVE DISADVANTAGE VIS-A-VIS NON US SUPPLIERS. WOULD IT NOT PERHAPS SUFFICE TO REQUIRE THE EXPORTER TO CERTIFY THAT HE WILL PROVIDE THE NAME OF THE AGENT AND HIS FEE UPON COMPETENT REQUEST OF RESPONSIBLE OFFICIALS OF THE GOVERNMENT CONCERNED?
GODLEY

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